

**Statement of Karen Schwinn
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**Before the Subcommittee on Water and Power
House Committee on Resources**

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Good afternoon. My name is Karen Schwinn. I am an Associate Director in the Water Division at the United States Environmental Protection Agency's Region 9 office in San Francisco. I am pleased to be here at the Committee's Elk Grove field hearing to discuss issues related to EPA's statutory authorities available to assist in the implementation of the CALFED Bay Delta Program.

EPA has been an active participant in the CALFED planning process since its inception in 1995 and was a signatory to the CALFED Record of Decision in August 2000 (ROD). Since the adoption of the ROD, EPA has continued to support the CALFED Program through our participation in the implementation effort, especially in the drinking water quality and watershed program elements, where we are one of the federal lead agencies.

The Federal Authorities Matrix that has been provided to the Committee by the Department of the Interior is a summary of the primary funding authorities that EPA currently has to support CALFED implementation. These authorities are contained in the Clean Water Act and Safe Drinking Water Act. I will briefly discuss EPA's two largest funding programs currently available to support CALFED implementation. I will then mention several smaller programs that EPA administers directly.

As the Subcommittee knows, EPA is responsible for setting national standards for a variety of environmental programs. One of the key roles of EPA's regional offices is to work with our State and tribal partners as they develop their environmental programs consistent with these national standards and then to delegate responsibility for issuing permits and monitoring and enforcing compliance to them. The State of California has requested and received formal program authorization under both the Clean Water Act and the Safe Drinking Water Act. This means the State is responsible for permitting and enforcement under these statutes. EPA's role is mainly oversight and technical assistance. Consistent with this principle of state delegation, most of EPA's program funding is directed to the States.

The substantial majority of EPA funds available for CALFED implementation are the State Revolving Fund (or SRF) programs under the Clean Water Act and Safe Drinking Water Act. With FY2002 funds, for example, EPA provided approximately \$95 million directly to the State of California Water Resources Control Board for the Clean Water SRF Program and will award approximately \$80 million to the State Department of Health Services for the Drinking Water

SRF Program. Most funds provided to the States under these SRF Programs must be made available to project proponents as loans, not as grants or contracts.

Under the Clean Water SRF Program, EPA provides a grant to the State who, in turn, makes loans to communities, individuals and other entities for activities to improve water quality. As money is paid back into the SRF, new loans are made to other recipients. The program was initially used to build and improve wastewater treatment facilities. Although this is still the largest area of expenditure, loans are also increasingly used for estuary improvement projects, non-point source projects, stormwater run-off controls, water recycling and water conservation. The State has established a priority-setting system, consistent with the provisions of the Clean Water Act. On an annual basis, the State solicits projects and ranks proposals according to their priority system. Their resulting proposed expenditure plan is available for public review and comment. Several projects funded through the Clean Water SRF Program have been noted in the CALFED Cross-cut Budget as supporting CALFED goals and objectives, including water recycling projects and wetlands restoration projects.

The Drinking Water SRF Program was established in 1996 in the amendments to the Safe Drinking Water Act. Like the Clean Water SRF, EPA provides a grant to the state to capitalize revolving loan funds. The State then provides loans to drinking water systems for infrastructure improvements needed to ensure safe drinking water. States may also use a portion of these funds for activities to prevent drinking water contamination, such as enhanced water system management and source water protection. As with the Clean Water SRF Program, the State has established a priority-setting system consistent with the Safe Drinking Water Act and has a public process to solicit and rank projects.

Although there is EPA oversight of the SRF programs, these funds are, by Congressional design, subject to the direction and priorities developed by the States, within the limitations of the statutes. In addition, again because of the deference to the states that is built into these SRF programs, reports back to EPA from the states about how the SRF funds have been allocated are somewhat summary in nature. For this reason, we rely on the state agencies to prepare the project-specific accounting of its SRF allocations for the CALFED cross-cut budget process.

Aside from our grants to the states, there is a relatively limited amount of money that EPA directly controls. In recent years, this has included funding for the National Estuary Program, wetlands protection program, and various Special Appropriations grants included in the Agency's annual appropriations legislation. In these cases, EPA relies exclusively on grants, not contracts. These grants are done under one of several authorities in the Clean Water Act or Safe Drinking Water Act. As indicated on the Federal Authorities Matrix, EPA typically relies on either Clean Water Act Section 104(b)(3) or Safe Drinking Water Act Section 1444 as that grant-making authority. These sections allow EPA to fund studies and demonstration projects that have some nexus to water pollution. To the extent that the CALFED Program intends to fund water quality activities beyond studies and demonstration projects, such as for operating water treatment or

recycling plants, the CALFED agencies need to rely on the authorities of the State (using their EPA grant funding as appropriate) or other federal agencies.

That concludes my prepared remarks, Mr. Chairman. I would be happy to answer any questions that the Committee may have.